
OVERVIEW OF THERAPIES (CONTINUED)

Core Therapy Focus

- During FY 2001, Coram is targeting to increase the Core Therapies to \$310.7 million (67.0% of revenue) compared to \$268.5 million (64.2% of revenue) based on annualized YTD operating results. The majority of this growth is will be obtained through increased patient volumes.
 - During FY 2001, Coram is targeting an AMC of 7,945 compared to 7,053 based on YTD operating results.
 - To increase patient volumes for the Core Therapies Coram has:
 - Developed targeted marketing plans for both managed care plans and specialty care physicians; and
 - Changed its incentive program to compensate only for the referral of the Core Therapies.
 - Due to the marginal profitability associated with non-core therapies, Coram is trying to minimize usage. However, Coram will need to continue to provide non-core therapies to attract referrals for the Core Therapies.
 - During FY 2001, Coram is targeting an AMC of 8,662 compared to 8,475 based on YTD operating results.
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COR-SUB.CON 0023746

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	Revenues by Therapy			
	1999	YTD Annualized	2000	2001
TPN	\$90,901	\$92,724	\$101,574	\$106,824
Anti-infectives	91,150	85,415	93,739	100,718
IVIG	58,216	53,513	54,933	55,490
Hemophelia	22,187	26,941	31,852	37,051
Pain management	10,658	9,924	10,049	10,606
Core Therapies revenues	273,112	268,517	292,763	310,689
Non-core revenues	172,894	149,789	150,232	153,062
Total revenues	446,006	418,306	\$442,995	\$463,752

(\$ in 000's)

COR-SUB.CON 0023747

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OVERVIEW OF THERAPIES (CONTINUED)

TPN

- TPN involves the intravenous feeding of life-sustaining nutrients to patients with impaired or altered digestive tracts due to a gastrointestinal illness or conditions such as intestinal obstruction or inflammatory bowel disease.
 - Based on YTD operating results:
 - AMC declined by 3.6% to approximately 1,465 compared to 1,520 during FY 1999.
 - AMRP increased by 5.9% to \$5,276 compared to \$4,983 during FY 1999.
 - The market for TPN therapies consists of approximately 40,000 patients (approximately one out of every 6,875 people) of which Coram is estimated to serve 11.2% or 4,480.
 - The market for TPN services is expected to remain stagnant at best and perhaps contract as the natural growth in the population base is expected to be offset by improvements in medical technology for gastrointestinal disorders.
 - Generally, patients requiring TPN therapies are clinically complex and treated by specialty care physicians such as gastroenterologist, oncologist, and transplant physicians practicing at academic medical centers.
 - Coram maintains a strong relationship with the Mayo Clinic, which refers approximately 5.0% of Coram's TPN patient volume.
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OVERVIEW OF THERAPIES (CONTINUED)

TPN

- Projections anticipate AMC to increase to 1,669 during FY 2001, a 13.9% increase over YTD levels of 1,465.
- Projections anticipate AMRP to remain relatively flat totaling \$5,333 during FY 2001, a 1.0% increase over YTD levels of \$5,276.
- Coram's marketing for TPN patients is focused on both managed care providers and specialty care physicians.

COR-SUB.CON 0023749

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OVERVIEW OF THERAPIES (CONTINUED)

Anti-infectives

- Anti-infective therapy is the infusion of antibacterial, anti-viral or anti-fungal medications into the patient's bloodstream for the treatment of a variety of infectious episodes, such as osteomyelitis, bacterial endocarditis, wound infections, infections associated with AIDS, cancer, post-transplant and infections of the kidneys and urinary tract.
 - Based on YTD operating results:
 - AMC declined by approximately 15.5% to 3,631 compared to 4,298 during FY 1999.
 - AMRP increased by approximately 11.0% to \$1,960 compared to \$1,767 during FY 1999.
 - The anti-infective market is estimated to be \$1.5 billion and is expected to expand between 10.0% and 15.0% annually as a result of:
 - New antibiotics being developed; and
 - Current strains of viruses becoming more resilient to oral treatments.
 - Coram has targeted a limited number of therapies that have treatment cycles of six to eight weeks compared to the average treatment cycle of 21 days for all anti-infective therapies. Due to initial set-up costs, therapies with longer treatment cycles are generally more profitable.
 - The five primary diagnosis targeted are:
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COR-SUB.CON 0023750

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OVERVIEW OF THERAPIES (CONTINUED)

Anti-Infectives

- The population within the targeted therapies is estimated to total approximately 40,000 to 50,000 patients, of which Coram serves approximately 2.7% or 1,215.
 - Anti-infectives generally do not require significant clinical support, making them less attractive to target for therapy providers.
 - Treatment generally by a primary care physician.
 - ⇒ Marketing to primary care physicians is not cost effective as their practices are generally dispersed and not concentrated within academic medical centers, as are the practices of specialty care physicians serving clinically complex patients.
 - Increases the perception that it is a commodity therapy to managed care companies.
 - Projections anticipate AMC for all anti-infective therapies to increase to 4,202 during FY 2001, a 15.7% increase over YTD levels of 3,631.
 - Projections anticipate AMRP to increase to \$1,998 during FY 2001, an increase of 1.9% from YTD levels of \$1,960.
 - Coram's marketing efforts for its Anti-infective therapies are focused primarily on managed care companies.
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- Osteomyelitis – bone infection;
- Endocarditis – infection of tissue surrounding the heart;
- Pancreatitis – inflammation of the pancreas (high correlation to TPN and pain management therapies);
- Oncology – patients with weakened immune systems due to chemotherapy treatments; and
- Cystic fibrosis – patients suffering from an exocrine disorder that causes lung infection.

COR-SUB.CON 0023752

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OVERVIEW OF THERAPIES (CONTINUED)

IVIg

- IVIG therapy involves the administration of blood derivative products to patients with immune deficiencies primarily as part of post-transplant treatment.
- Coram's IVIG AMC has steadily declined over the past two years. In addition to the lost patient volumes as a result of the termination of the Aetna agreement and the closure of R-Net, a spike in IVIG costs during 1999 resulted in a deterioration of Coram's ANS margins and a de-emphasis by Coram to sell this therapy.
- Based on YTD operating results:
 - AMC decreased by 8.0% to approximately 1,123 compared to 1,220 during FY 1999.
 - AMRP remained relatively constant totaling \$3,971 compared to \$3,978 during FY 1999.
- The availability and cost of IVIG supplies are a risk to all providers due to the short supply of raw materials to manufacture IVIG. There is an estimated worldwide need of approximately 20 million grams with a product availability of 16 million grams.
 - Historically, therapy providers have not been able to pass on temporary price increases to the patient.
- The market size for IVIG therapies is estimated at approximately 150,000 patients of whom 121,000 (or 80%) receive IVIG for life. Based on Coram's current patient volume of 3,235 it currently services 2.6% of the aggregate market.
- From a clinical perspective, there is significant potential for growth for IVIG therapies. However, supply issues are expected to continue to limit the overall market size.

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OVERVIEW OF THERAPIES (CONTINUED)

IVIG

- Patients requiring IVIG therapies are clinically complex with the majority treated by the transplant physicians.
 - Projections anticipate AMC for IVIG therapies to increase to approximately 1,155 during FY 2001, a 2.9% increase over YTD levels of approximately 1,123.
 - Projections anticipate AMRP to increase to \$4,004 during FY 2001, an increase of approximately 1.0% from YTD levels of \$3,971.
 - Coram's marketing for IVIG patients is focused on both managed care providers and transplant physicians.
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COR-SUB.CON 0023754

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OVERVIEW OF THERAPIES (CONTINUED)

Hemophilia

- Coagulation or "factor replacement" therapy is the intermittent administration of a blood clotting factor. Blood clotting factors are generally administered to people with hemophilia or related genetic disorders which affect the blood's ability to clot.
- Based on YTD operating results:
 - AMC increased by 21.4% to approximately 153 compared to 126 during FY 1999.
 - AMRP increased by 0.1% to \$14,722 compared to \$14,703 during FY 1999.
- The market for hemophilia patients is relatively limited consisting of approximately 20,000 patients (one out of every 13,750 people) of which Coram is estimated to serve approximately 0.8% or 175 of these patients.
 - Growth in the market for hemophilia services is expected to track with the general growth in the overall population.
- The majority of hemophilia patients receive their treatment within a small group of approximately 100 specialist physicians or 200 specialty treatment centers.
- Hemophilia is a life-long condition that is medically complex, requiring ongoing patient treatments. This treatment cycle is favorable for providers.
 - The average annual revenue per patient is approximately \$12,000 to \$16,000 with a branch contribution margin totaling approximately 30.0% to 40.0%.
 - The medical complexity and amount of clinical oversight provide sufficient pricing protection from managed care companies.

COR-SUB.CON 0023755

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Patients become very familiar with their therapy provider reducing the likelihood that they will change providers.

COR-SUB.CON 0023756

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OVERVIEW OF THERAPIES (CONTINUED)

Hemophilia

- Competition for hemophilia patients is significant with over 40 companies providing services.
 - Caremark Rx, Inc. and Gentiva Health Services, Inc. are the two dominant providers in this market with each serving approximately 2,000 patients.
 - No other provider is estimated to have more than 1,000 patients.
- The availability and cost of hemophilia supplies are a risk to all providers.
 - Approximately 30.0% can be met by human donors, with the remaining 70.0% bio-technologically produced as a recombinant product.
- ⇒ There are four primary distributors of hemophilia products. Due to significant regulatory oversight, on average, one of these distributors has operations suspended each year.
 - Historically, therapy providers have not been able to pass on temporary price increases to the patient.
- ⇒ In the first quarter of FY 2000, Coram consolidated its supply management to help mitigate any shortages.
- Projections anticipate AMC to increase to approximately 195 during FY 2001, a 27.5% increase over YTD levels of 153.
- Projections anticipate AMRP to increase to \$15,823 during FY 2001, a 7.5% increase from YTD levels of \$14,722.
- To increase its market share, Coram has implemented several initiatives focused at both the patients and physicians providing treatment:
 - Created an advocacy program to educate patients and respond to inquiries; and

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➤ Began the process for hiring five dedicated sales people by the end of FY 2000.

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OVERVIEW OF THERAPIES (CONTINUED)

Pain Management

- Infusion service for pain management involves the administration of prescription pain relief medications to patients with chronic pain generally as the result of oncology treatment or musculoskeletal and nervous system disorders.
- Based on YTD operating results:
 - AMC increased by 1.3% to approximately 682 from 673 during FY 1999.
 - AMRP decreased by 8.0% to \$1,213 from \$1,319 during FY 1999.
- Reliable estimates of the market size for pain management patients receiving infusion are not readily available.
- The majority of pain management patients receiving infusion services are treated by oncologists, anesthesiologist or pain management specialists at academic medical centers.
- Projections anticipate AMC to increase to 724 during FY 2001, a 6.2% increase from YTD levels of 682.
- Projections anticipate AMRP to increase to \$1,221 during FY 2001, a 1.0% increase from YTD levels of \$1,213.
- Coram's marketing efforts are focussed on educating specialty physicians and managed care companies to the benefits of infusion service for pain management patients.

113. Historical Performance

COR-SUB.CON 0023760

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HISTORICAL PERFORMANCE

Summary - Continuing Operations

- Results for the Continuing Operations have been adversely impacted by declines in patient volumes in Infusion Services which have resulted in annualized YTD revenue declining by 5.7% to approximately \$422.2 million from \$447.8 million during FY 1999.
 - However, these declines have been more than offset by cost control measures as well as improved efficiencies resulting in YTD annualized EBITDA improving to \$22.4 million (5.3% of revenue) compared to \$17.6 million (3.9% of revenue) during FY 1999.
- YTD operating expenses include an accrual for MIP of \$9.5 million or 2.2% of revenue, which is not included in FY 1999 results.

	Continuing Operations ⁽¹⁾	
	1999	YTD Annualized
Revenues	\$447,754	\$422,188
Cost of drugs	188,307	170,133
Cost of clinical services	151,293	130,869
Gross margin	108,154	121,185
% of revenue	24.2%	28.7%
Branch operating expenses	54,720	53,218
Other expense (income)	1,052	(913)
Contribution - branch operations	52,381	68,880
% of revenue	11.7%	16.3%
Corporate overhead	34,808	46,521
EBITDA	17,573	22,358
% of revenue	3.9%	5.3%

Notes:

(1) Continuing Operations is defined as Infusion Services and CTI operations.

COR-SUB.CON 0023761

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HISTORICAL PERFORMANCE (CONTINUED)

Revenues - Infusion Services

- Annualized YTD revenue declined 6.2% to \$418.3 million from \$446.0 million during FY 1999. The decline was the result of decreased patient volumes for both Core Therapies and non-core therapies, which were partially offset by an increase in AMRP for the Core Therapies.

Patient Volumes

- During the first four months of 2000, Infusion Services AMC declined by 11.0% to 15,528 compared to 17,443 during FY 1999.
 - YTD AMC for the Core Therapies declined by 10.0% to 7,053 from 7,837 during FY 1999.
 - YTD AMC for non-core therapies declined by 11.8% to 8,475 from 9,606 during FY 1999.
- The majority of the decline in AMC is attributed to deliberate steps taken by Coram to exit unprofitable products and business lines.
 - In June of 1999, Coram terminated its agreement with Aetna, which covered approximately 2.0 million lives.
- ⇒ Referrals from these lives provided an AMC of approximately 800 or 4.6% of Infusion Services AMC during 1999.
- In November of 1999, Coram announced the liquidation of R-Net, which covered approximately 1.5 million lives under various contracts (excludes Aetna lives).

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⇒ Referrals from these lives provided an AMC of approximately 600 patients or 3.4% of Infusion Services AMC during FY 1999.

⇒ Providers, who had been contracting with R-Net, have reduced their referrals to Coram.

COR-SUB.CON 0023763

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HISTORICAL PERFORMANCE (CONTINUED)

Revenue - Infusion Services

Average Monthly Revenue Per Patient

- During the first four months of FY 2000, AMRP for all therapies increased by 5.4% to \$2,245 from \$2,131 during FY 1999.
 - YTD AMRP for the Core Therapies increased by 9.2% to \$3,173 from \$2,904 during FY 1999.
 - ⇒ Reflects stronger managed care pricing for anti-infective and TPN services.
 - YTD AMRP for non-core therapies declined by 1.8% to approximately \$1,473 from \$1,500 during FY 1999.
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COR-SUB.CON 0023764

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	AMRP	
	1999	YTD Annualized
Total therapy AMRP Year % change	\$2,131	\$2,245 5.4%
Core Therapies AMRP Year % change	\$2,904	\$3,173 9.2%
Non-core therapy AMRP Year % change	\$1,500	\$1,473 (1.8%)

COR-SUB.CON 0023765

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HISTORICAL PERFORMANCE (CONTINUED)

Gross Profit Margin - Infusion Services

- Based on YTD operating results, ANS margins improved to approximately 59.9% from approximately 58.0% during FY 1999.
 - Reflects improved pricing on its managed care contracts for Core Therapies partially offset by increased drug prices.
 - Reflects the screening of low margined non-core therapies at the branch level.
- Based on YTD operating results, cost of direct services⁽¹⁾ decreased to approximately 31.3% of revenue compared to approximately 33.9% of revenue during FY 1999 primarily as a result of staffing efficiencies in regard to nursing.
 - The staffing mix for nursing was changed to rely less on full-time and more on part-time and agency nursing.
 - ⇒ Converts fixed costs to variable costs and allows for flexible scheduling.
 - The Primary Care Management Model was introduced creating a team approach to patient care and providing better staff-patient continuity.

Notes:

(1) Cost of direct services; all direct costs to deliver Infusion Services excluding the cost of drugs.

HISTORICAL PERFORMANCE (CONTINUED)

Gross Profit Margin – Infusion Services

- As a result of the favorable trend in both its ANS margins and cost of direct services as a percent of revenue, Infusion Services YTD gross profit margins increased to approximately 28.6% (\$119.7 million) from approximately 24.0% (\$107.2 million) during FY 1999.

(\$ in 000's)	Gross Margins	
	1999	YTD Annualized
Total infusion revenues	\$446,006	\$418,305
Core Therapies ANS	\$171,069	\$169,818
Non-core therapy ANS	87,430	80,723
ANS	258,499	250,341
% of revenue	58.0%	59.9%
Nursing costs	46,074	35,565
Pharmacy costs	27,695	26,297
Other costs	77,524	68,288
Cost of clinical services	151,293	130,850
% of revenue	33.9%	31.3%
Gross margin	\$107,206	\$119,691
% of revenue	24.0%	28.6%

HISTORICAL PERFORMANCE (CONTINUED)

Branch Operating Expenses - Infusion Services

- Based on annualized YTD operating results, branch operating expenses remained stable totaling approximately \$51.0 million (12.2% of revenue) compared to approximately \$54.9 million (12.3% of revenue) during FY 1999, as efficiencies resulting from the implementation of a "hub and spoke" model were offset by increased reserves for bad debt.
- In 1999, Coram introduced the hub and spoke model and by the end of FY 2000, 28 branches will have been consolidated into this network.
 - Unprofitable branches are being closed with services for patients transferred to other Coram branches.
 - Branch support services for low patient volume branches are being moved to regional offices or hubs.
- YTD bad debt reserves at the branch level increased to 3.6% of revenue from 1.7%⁹⁹ of revenue during FY 1999. Based on reserve analyses for the periods ending September 30, 1999, December 31, 1999 and March 31, 2000, on an ongoing basis, reserves for bad debt are expected to total 3.2% of revenue.

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	Branch Operating Expenses	
	1999	YTD Annualized
(\$ in 000's)		
Total in fusion revenues	\$446,006	\$418,305
Selling	\$18,433	\$16,303
Billing	15,320	16,337
Admissions	7,925	7,880
Uncollectable accounts	7,427	15,063
Other operating expenses	4,766	(3,678)
Other expense	1,052	(913)
Total branch expenses	\$54,923	\$50,992
% of revenue	12.3%	12.2%

Notes:

(1) Excludes one-time adjustments.

COR-SUB.CON 0023769

TRUSTEE05275

HISTORICAL PERFORMANCE (CONTINUED)

CTI Operations and Corporate Overhead

CTI Operations

- Based on annualized YTD operating results, revenue increased by approximately 123.5% to \$3.9 million from \$1.7 million during FY 1999.
- Based on annualized YTD operating results, EBITDA totaled \$181,000 (4.7% of revenue) compared to \$98,000 (5.6% of revenue) during FY 1999.

Corporate Overhead

- Based on annualized YTD operating results, corporate overhead totaled approximately \$46.5 million (11.0% of Continuing Operations revenue) compared to approximately \$34.8 million (7.7% of Continuing Operations revenue) during FY 1999.
 - YTD operating expenses include an accrual for MIP of \$9.5 million or 2.2% of Continuing Operations revenue, which is not included in FY 1999 results. Beginning with FY 2001, MIP is expected to total approximately \$6.0 million (1.3% of Continuing Operations revenue).

148. Company Projections

COR-SUB.CON 0023771

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	Continuing Operations ⁽¹⁾			
	1999	YTD Annualized	2000	2001
Revenues	\$447,754	\$422,188	\$446,755	\$468,470
Cost of drugs	188,307	170,133	179,535	192,079
Cost of clinical services	151,293	130,869	131,593	134,476
Gross margin	108,154	121,185	135,827	141,915
% of revenue	24.2%	28.7%	30.4%	30.3%
Branch operating expenses	54,720	53,218	55,989	57,592
Other expense (income)	1,052	(913)	(272)	139
Contribution - branch operations	52,381	68,880	80,110	84,183
% of revenue	11.7%	16.3%	17.9%	18.0%
Corporate overhead	34,808	46,521	46,521	39,769
EBITDA	17,575	22,358	33,589	44,415
% of revenue	3.9%	5.3%	7.5%	9.5%

Notes:

(1) Continuing Operations is defined as Infusion Services and CTI operations.

COR-SUB.CON 0023772

TRUSTEE05278

COMPANY PROJECTIONS

Overview – Continuing Operations

- The Projections anticipate improved patient volumes for the Core Therapies as well as continued improvements from its cost saving programs and consolidation of operations.
 - During FY 2001, revenue from Continuing Operations is expected to total approximately \$468.5 million compared to YTD annualized results of approximately \$442.2 million.
 - During FY 2001, EBITDA is projected to total approximately \$44.4 million (9.5% of revenue) compared to YTD annualized results of approximately \$22.4 million (5.3% of revenue).
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COR-SUB.CON 0023773

TRUSTEE05279

COMPANY PROJECTIONS (CONTINUED)

Revenue – Infusion Services

- During FY 2000 and 2001, Infusions Services revenue is projected to total approximately \$443.0 million and 463.8 million, respectively.
 - Revenue for the Core Therapies is projected to total approximately \$292.8 million and approximately \$310.7 million in FY 2000 and 2001, respectively.
 - Non-core therapy revenue is projected to total approximately \$150.2 million and approximately \$153.1 million in FY 2000 and 2001, respectively.

COR-SUB.CON 0023774

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(\$ in 000's)	Infusion Services Revenues			
	YTD		2000	2001
	1999	Annualized		
Total therapy revenue	\$446,006	\$418,305	\$442,995	\$463,752
Core Therapies revenue	\$273,112	\$268,517	\$292,763	\$310,689
% of revenue	61.2%	64.2%	66.1%	67.0%
Non-core therapy revenue	\$172,894	\$149,788	\$150,232	\$153,062
% of revenue	38.8%	35.8%	33.9%	33.0%

Notes:

- (1) 2000P and 2001P are Company projections. Please see discussion of assumptions used in Section 9, "Business Plan."
- (2) Does not include CTI revenues.

COR-SUB.CON 0023775

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